

Message Text

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ACTION EB-07

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FM AMEMBASSY ANTANANARIVO

TO SECSTATE WASHDC 9170

INFO USDOC WASHDC

DEPT OF AGRICULTURE

AMEMBASSY DAR ES SALAAM

AMEMBASSY COLOMBO

UNCLAS ANTANANARIVO 0814

DAR ES SALAAM PASS ZANZIBAR

E.O. 11652: N/A

TAGS: EAGR, ETRD, MA, TZ

SUBJECT: MADAGASCAR AND TANZANIA FORM CLOVE MARKETING
ORGANIZATION

1. ON APRIL 22, MADAGASCAR ECONOMY & COMMERCE MINISTER JUSTIN RARIVOSON AND TANZANIAN VICE MINISTER OF COMMERCE ALI ABEID KARUME SIGNED A COMMERCIAL ACCORD, WHICH, INTER ALIA, CREATES TAMMCO (TANZANIAN/MALAGASY CLOVE MARKETING ORGANIZATION). TAMMCO'S HEADQUARTERS WILL BE ESTABLISHED IN DAR-ES-SALAAM WITH THE STATED AIM OF INCREASING SALES AND IMPROVING THE QUALITY OF THE CLOVES EXPORTED. THE MARKETING ARM OF TAMMCO WILL BE UNI-CLOVES WHICH WILL TAKE ORDERS FROM IMPORTERS AND ALLOCATE THESE ORDERS BETWEEN THE TWO PRODUCERS.

2. IN ACCOMPANYING PUBLICITY, IT IS CLAIMED THAT MADAGASCAR & TANZANIA EACH PRODUCE ABOUT 7 TO 9 THOUSAND TONS OF CLOVES ANNUALLY AND THAT INDONESIA CONSUMES ABOUT TWO-THIRDS OF WORLD CLOVE PRODUCTION, TO FLAVOUR CIGARETTES.

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3. COMMERCIAL ACCORD REPORTEDLY ALSO CALLS FOR MADAGASCAR TO IMPORT TANZANIAN CEMENT UNTIL DOMESTIC CEMENT PRODUCTION CAN BE INCREASED, WHICH, ACCORDING TO RARIVOSON, WILL TAKE 3 TO 6 YEARS. (NOTE: CURRENTLY, SOVIET UNION AND WEST GERMANY ARE FINANCING FEASIBILITY STUDIES FOR NEW CEMENT PLANTS, AND MADAGASCAR IMPORTS

27,000 TONS OF ITS 100,000 TONS ANNUAL CEMENT CONSUMPTION.

4. COMMENT: PRESS HAS TRIED TO DRAW COMPARISON BETWEEN NEW MADAGASCAR/TANZANIA CLOVE MONOPOLY AND OPEC. MORE VALID COMPARISON COULD BE MADE WITH THE CURRENT VANILLA MARKETING METHODS WHEREBY THE PRODUCERS (80PERCENT FROM MADAGASCAR) MEET ANNUALLY TO DECIDE PRICES FOR THE NEXT SEASON. REPORTEDLY, THIS SYSTEM HAS RECENTLY SET VANILLA PRICES AT 21 DOLLARS PER KILO, UP FROM 19.30 TO 21 DOLLARS. WITH CLOVE PRICES ALREADY AT 5 OR 6 DOLLARS A KILO (DUE, WE UNDERSTAND, TO RECENT CLOVE DISEASE IN ZANZIBAR), AND TANZANIA AND MADAGASCAR PRESUMABLY HOLDING A NEAR MONOPOLY IN CLOVE PRODUCTION, IT'S LIKELY THAT TAMMCO WILL BE SUCCESSFUL IN MAINTAINING CURRENT HIGH PRICES OR EVEN INCREASING THEM SOMEWHAT. BARRETT

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